

## *The President's Daily Brief*

14 February 1969

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LATE NOTES FOR THE PRESIDENT'S DAILY BRIEF OF

14 FEBRUARY 1969

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*FOR THE PRESIDENT ONLY*

15 February 1969

LATE NOTES FOR THE PRESIDENT'S DAILY BRIEF OF  
14 FEBRUARY 1969

I. MAJOR PROBLEMS

MIDDLE EAST

There is nothing significant to report.

EUROPE

The East German restriction on land travel to West Berlin by members of the presidential electoral college went into effect this morning. It was preceded by a period in which travelers passing through two checkpoints leading into West Germany were exposed to "more severe examinations than usual" by East German police. They were also handed propaganda leaflets warning of unspecified consequences if the elections are held. (Press, 15 Feb 69)

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A lecturer at the East German Institute of Marxism-Leninism told an officer of our mission in Berlin yesterday that there would be no harassment in the air corridors during the West German presidential election, that the autobahn would not be blocked, and that there would be no military maneuvers. To emphasize East German restraint, he said "we will not play cowboys and Indians as we did in 1965" (date of the last presidential election). He added that the recent note from the East German Government to Bonn, the restrictions on land travel scheduled to go into effect today, and the current propaganda campaign are to establish a "GDR case for future reference."

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## SOVIET AFFAIRS

There is nothing significant to report.

## VIETNAM

Ambassador Sullivan in Vientiane notes that while the return to Hanoi of the North Vietnamese ambassador to Cambodia may be related to the Tet holidays, it is significant that he has usually been in Hanoi each time major decisions with respect to peace negotiations have been under discussion, and that these visits have coincided with those of Le Duc Tho, who arrived in Hanoi Thursday. [REDACTED]

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The Viet Cong Tet cease-fire began at 7:00 AM today local (6:00 PM Friday EST). All South Vietnamese troops are confined to barracks and on the alert against a repetition of last year. In the first few hours after the truce, the Viet Cong assassinated a hamlet chief in the central highlands and invaded the docks at Saigon to plant Viet Cong flags and take potshots at US guards, but they fled when chased. (Various press, 15 Feb 69)

President Thieu has decided that Tet cease-fire for allied forces will be for only 24 hours from 6:00 PM Sunday local (5:00 AM Sunday EST) to 6:00 PM Monday local (5:00 AM Monday EST). This decision was made because Gen Tri, commander of the South Vietnamese III Corps, said 36 hours stand-down would mean no B-52 bombings for two nights, which he felt might be critical in his sector. [REDACTED]

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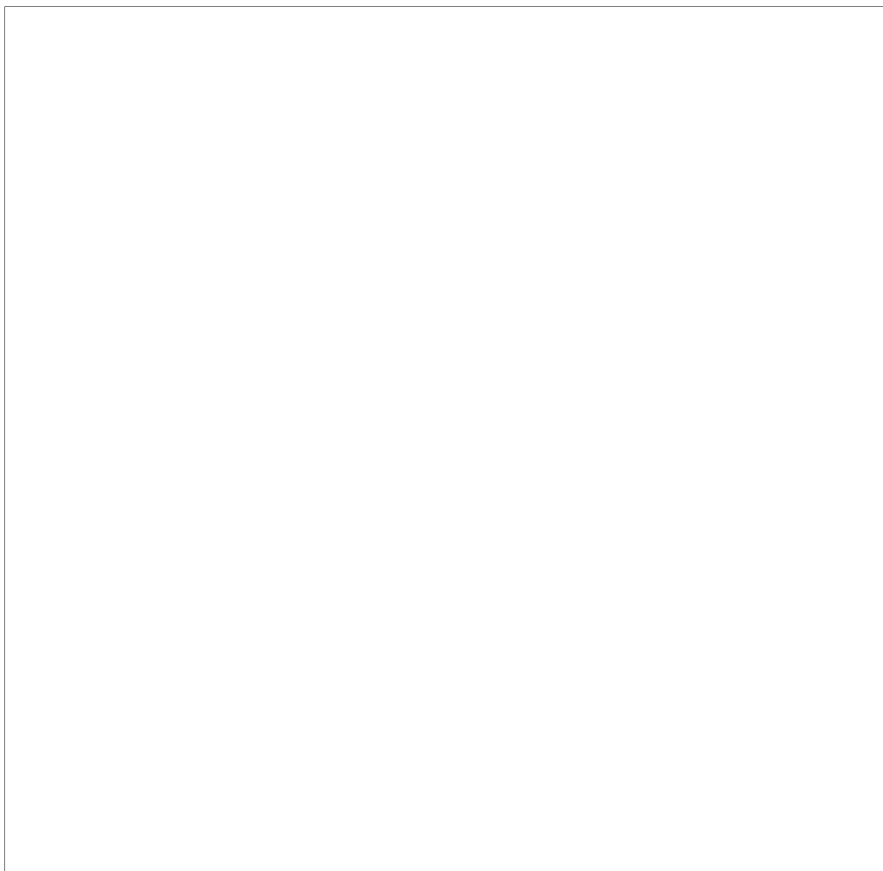
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## II. OTHER IMPORTANT DEVELOPMENTS

USSR-GHANA

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### JAPAN - COMMUNIST CHINA

A seven-man Japanese trade delegation has left for Peking to negotiate a renewal of the one-year Sino-Japanese trade agreement which expired at the end of last year. Two Liberal-Democratic members of the Diet are in the delegation, and one press report out of Tokyo claims that Prime Minister Sato has asked them to sound out China's attitude on the possibility of ambassadorial-level talks in a third country aimed at breaking the deadlocked relations between the two countries.



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I. MAJOR PROBLEMS

MIDDLE EAST

There is nothing of significance to report.

EUROPE

Britain's erratic trade picture improved markedly in January. January exports rose by \$53 million and imports dropped by \$29 million; the resulting merchandise trade deficit is the smallest for any month since devaluation. The improvement in the trade balance and predictably strong performances in certain other elements of the balance of payments may lead to a three-month (November-January) surplus on current account for the first time since early 1967.

The requirement that importers must deposit half of the value of certain imports before the goods clear customs seems not to have had much impact on January imports. If the deposit scheme, which has been in effect since November, does begin to exert a braking effect, the chances are good that there will be continued strong performance in trade statistics.

SOVIET AFFAIRS

Moscow has extended assurances that Allied rights in Berlin will not be challenged, but appears to be giving East Germany more leeway to harass the West Germans.

A Soviet note delivered to Chancellor Kiesinger on 13 February used considerably harsher language than earlier

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notes in protesting the decision to hold the presidential election in West Berlin. It implied that the East Germans might be given a relatively free hand to take action against land access to West Berlin and warned that the USSR would assume "only those responsibilities" specified in the quadripartite decisions, i.e., Allied travel only.

In Moscow the Soviets finally accepted a tripartite Allied protest note after having evaded acceptance on Wednesday. The delay had apparently been used to formulate a reply which was delivered to the Allied representatives immediately after receipt of their protest. The Soviet reply reiterated earlier charges against the West Germans and gave support for measures being taken by Pankow: presumably the restrictive measures which are to go into effect Saturday against land travel by West German officials.

As part of its campaign to heighten tensions, Moscow has also launched a spirited rumor campaign. Reports that Soviet and East German forces will begin maneuvers shortly to block land access routes to Berlin and that some action might be taken to impede air travel are totally unsubstantiated at this time.

Current military activity in the Berlin area seems to be limited to routine training. Warsaw Pact commander Marshal Yakubovsky and military representatives from each of the member countries, who had been meeting in East Germany since 10 February, returned home yesterday. Soviet air exercises west of Berlin, apparently held for the visiting Pact officials, terminated on 12 February

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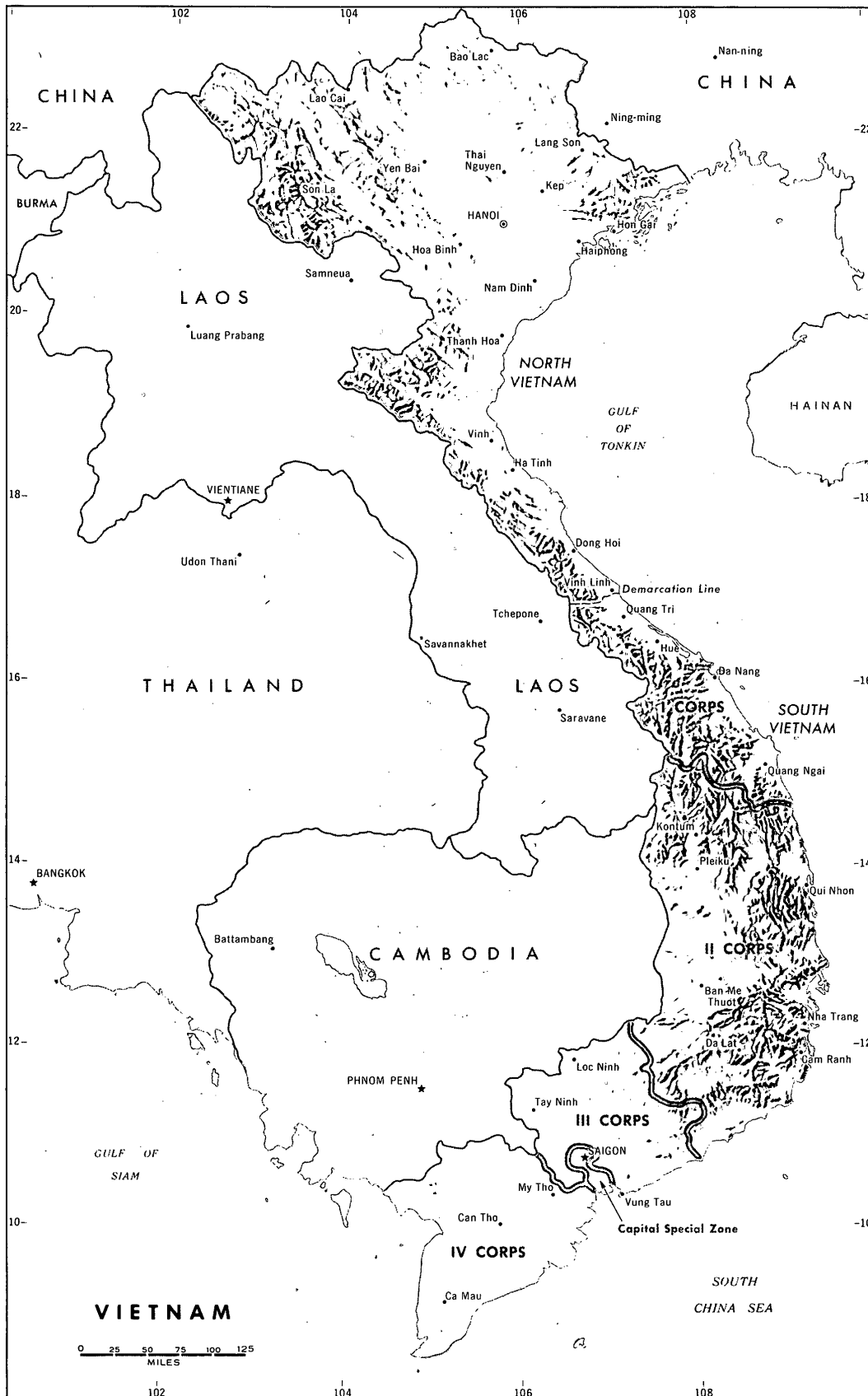
## VIETNAM

No significant shifts of positions were discernible to us in yesterday's formal presentations by the Communist side or in the follow-up press conferences. Xuan Thuy and Tran Buu Kiem soft-pedaled their earlier emphasis on the priority of political issues in the same way they have done outside the talks. In effect, they stuck to their basic demand that military and political issues will have to be treated as a package. The Communists described the questions of troop withdrawals and military bases as "fundamental," thus suggesting they might be prepared to take up military questions first. The Communists may indeed be prepared to open substantive discussions with such military matters, but they have made it quite clear that no agreements will be reached on these issues without parallel understandings on broader political questions.

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President Thieu probably hopes that he has taken some of the wind out of Vice President Ky's sails by selecting Interior Minister General Khiem to supervise the pacification and revolutionary development programs. Ky has, at the least, made a major nuisance of himself recently by politicking for the replacement of Prime Minister Huong, whom Thieu installed last May to replace a Ky man. Thieu presumably expects that Ky will continue his campaign against Huong while he is back in South Vietnam for the Tet holidays, and he appears to have undercut Ky

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by admitting that Huong is getting old and somewhat frail and needs help. The Khiem appointment is expected to take some of the load off Huong's staff, which should then be able to give him better support.

Thieu's principal motive for giving this additional assignment to Khiem, however, seems to be his desire to have a close associate run programs which will have a great deal to do with the government's political position in the countryside during any future political competition with the Communists. Khiem is one of the few top leaders who seems to have developed a fairly close relationship with the President.

The President also sees the government's land reform program as offering a major opportunity to develop support among the rural population.

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Thieu's recent refusal to make greater use of civilian politicians in top government posts, as suggested by Huong, partly reflects his low estimate of the political value of these men. There are only a handful of politicians in South Vietnam with whom even a significant fraction of the people identify, and the government is unlikely to acquire a broader political base merely by bringing some new faces into the cabinet. Thieu clearly

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prefers the government to concentrate on extending its control over the people--and possibly building its popularity among them--through land reform, by improving pacification and revolutionary development, and by achieving a more impressive military record.

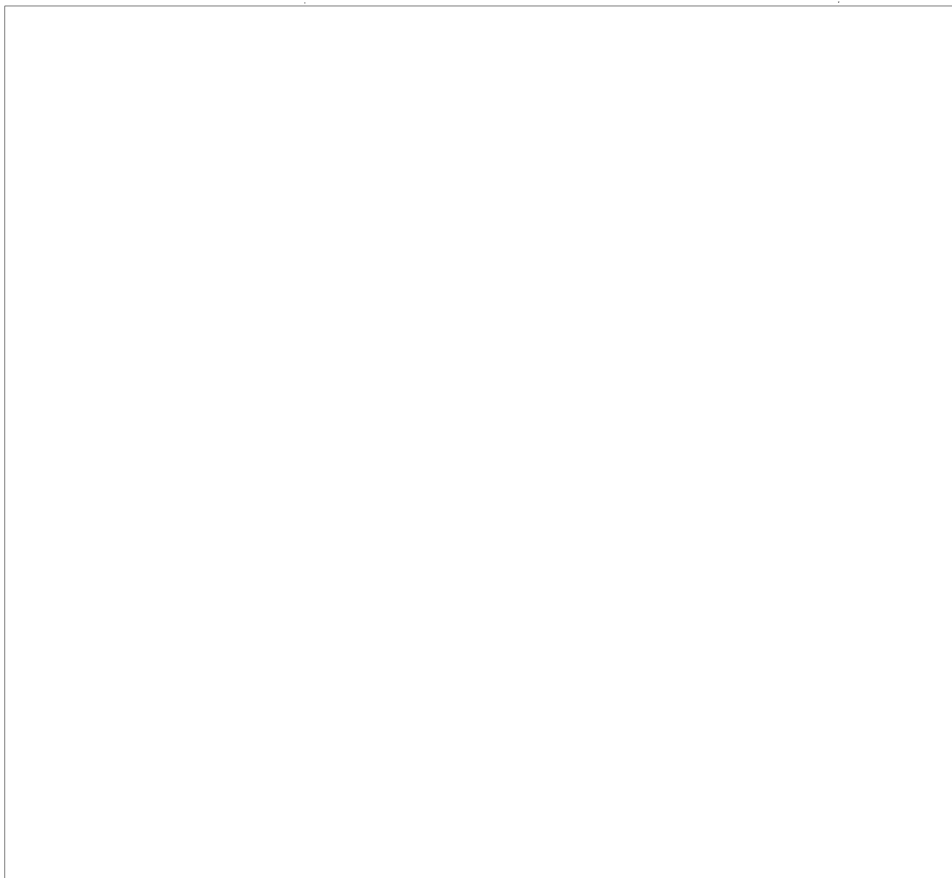
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II. OTHER IMPORTANT DEVELOPMENTS

PERU

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At Annex we discuss the background of the dispute with Peru.

INDONESIA

General Suharto



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has decided to seek Soviet economic and technical assistance

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for Indonesia's five-year development plan, which begins this April. This decision was taken partly out of concern that the Western consortium would not meet Djakarta's 500-million-dollar aid request for this year

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During the Sukarno regime the Soviets poured aid of all types into Indonesia to the tune of over one billion dollars. Most of this sum is still owed Moscow. The Soviets up to now have maintained that Indonesia must arrange to repay these substantial debts before aid can be discussed. They have agreed only to sell the Indonesians limited amounts of military spare parts on a hard cash basis.

*PAKISTAN*

The government's announcement that the three-year-old state of emergency will be lifted Monday is the latest in a number of steps Ayub has taken to improve the climate for the "dialogue" with opposition elements that he hopes to begin that day. Opposition leaders will give Ayub an answer on his offer of negotiations tomorrow.

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These talks may ease the situation, but the opposition, its appetite whetted by the concessions Ayub has already given, may increase its demands. Although Ayub may yet

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retrieve the situation, speculation in Pakistan is increasingly centering not on whether the President will go but when and how.

The opposition should be further emboldened by today's general strike. All reports so far suggest that it was extremely effective, bringing activity in most cities to a standstill.

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## PERU AND THE UNITED STATES

SIGNIFICANCE: The serious impasse between the US and Peruvian governments over expropriation of the International Petroleum Company (IPC) is the culmination of nearly forty-five years of recurrent wrangling between the company and the Peruvian government. The IPC issue, however, has been only one, although the most serious of a number of irritants that have from time to time troubled generally friendly relations. Most incidents have involved either the threat or the actual suspension of US economic aid in response to actions taken by the Peruvian government. The basic issues have often been economic--a reflection of latent but very real resentment in Peru over the country's heavy dependence on the US economy. Peru's present military rulers are strong nationalists, apparently determined to set the country on the road toward greater political and economic independence of the US.

### Recent US-Peruvian Relations:

The rioting that greeted Mr. Nixon in Lima on 8 May 1958 was, for Peru, a rare outburst of open hostility against the US. Communist "students" were mainly responsible for that affair. There had been other destructive riots earlier that year which had not involved relations with the US. President Prado was trying to maintain a democratic government in a time of serious economic and political deterioration.

Except for a brief but bitter period later in 1958 when the US import quota for Peruvian lead and zinc was cut back,

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relations with the US were friendly during Prado's tenure. The military coup that overthrew him in 1962, however, prompted the US to suspend diplomatic relations and economic aid for one month. They were resumed after the US had secured guarantees that constitutional government would be restored within a reasonable time.

The military government did step down in June 1963, after Fernando Belaunde had been elected president. Belaunde's campaign had inflamed the IPC issue to a new intensity, but he failed to fulfill his campaign promise to solve the IPC problem within 90 days. He did, however, declare void an arbitration agreement of 1922 on which IPC's ownership of the La Brea y Parinas oilfields was based. He thus laid the basis for the present claim that the company had been operating illegally in Peru since it bought the fields in 1924.

The IPC issue bedeviled Belaunde throughout the five and a half years of his tenure. During late 1964 and early 1965, he seemed to be moving toward outright expropriation. A large part of the US aid program was held up, prompting charges that the US was using aid to coerce Peru into settling on IPC's terms. In 1966, US aid was substantially increased and these charges died down, but the IPC issue would not go away.

Problems of a different nature arose in 1967 which were especially galling to the Peruvian military. Peru's decision to upgrade its armed forces by buying French tanks and Mirage fighter planes--despite strong criticism from the US Congress--raised the prospect that amendments to the US Foreign Assistance

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Act (the Symington and Conte-Long Amendments) would require a decrease or suspension of US aid. The Peruvian cries of "economic aggression" were quick and loud. No new US loans have been programmed for Peru since July 1967 and implementation of existing aid projects has been considerably slowed.

Another periodic irritant involves seizure of US fishing boats within the 200-mile territorial sea claimed by Peru. It appeared for a while in 1967 that this issue also might force application of US laws imposing economic sanctions.

The October 1968 Coup

The pretext for the coup was President Belaunde's "settlement" with the IPC in August 1968. The agreement provided for reversion of the disputed La Brea y Parinas oilfields to Peru in return for cancellation of the large debt which Peru claimed the company owed for "illegally" exploiting the fields for so long. The settlement was instantly attacked by a wide segment of Peruvians as a "sellout" for dropping the debt and not including the Talara refinery in the takeover. As the controversy wore on into the autumn, the President's own party split over the issue.

On 3 October, the army seized power in a quick, bloodless coup. Six days later the military government formally nationalized both the La Brea y Parinas oilfields and the refinery complex at Talara. Moreover, it reaffirmed that IPC still(owed) a multimillion-dollar debt for the "unjust profits" it made while "illegally" exploiting the oilfields since 1924.

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Factors other than the IPC issue played an equal if not greater role in bringing about the coup. For one thing, the split in Belaunde's party all but assured victory for Victor Raul Haya de la Torre in the presidential elections then scheduled for June 1969. Haya and the military have a history of bitter mutual animosity going back more than 35 years, and this was not the first time that the military had used force to keep him from power.

For all this, however, President Velasco and his closest military advisers are strong nationalists. Their prompt and decisive action against the IPC brought them general public acclaim and a greater degree of popularity than any previous military regime had enjoyed.

Velasco, however, is not well regarded by many of his military colleagues, some of whom have been pressing for a more moderate course. Velasco has thus far been able to outmaneuver his rivals by playing on the nationalism of the public and keeping the IPC issue in the forefront, but dissatisfaction with his leadership has been growing within the military during the past two weeks.

Consequences

The present military government in Peru is unlike anything in the country's past.

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Their plans are still vague, but one thing

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is clear: they are in no mood to be intimidated by the prospect of US economic sanctions. US aid, they feel, has too often in the past been used to interfere with sovereign Peruvian decisions.

The ranking generals are all strong nationalists, though they vary in the bluntness of the tactics they would use to assert Peru's "independence." Velasco may be replaced as President, perhaps soon, but his successors would be military men dedicated to the same goals.

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